

Chapter 26: Worksheet mark scheme (38 marks, HL 38 + 11)

- 1 What is a consumer durable? Give an example. (2)

These are manufactured products that can be reused and are expected to have a reasonably long life, e.g. cars, washing machines.

- 2 What does 'product mix' mean? (2)

This is the variety of product lines that a business produces or a retailer stocks.

- 3 List **five** stages (arranged in order) in the process of developing a new product. (5)

- generating new ideas
- idea screening
- concept testing: cost/possible consumers/features
- business analysis: likely revenues, costs, etc.
- product testing
- test marketing
- launch

- 4 Draw and label a graph of the stages of the product life cycle. Add a line to represent the effect of an extension strategy. (7)

Award 1 mark for correctly labelling the two axes (x = time, y = \$).

Award 1 mark for correctly drawing and labelling the life cycle curve as sales.

Award 1 mark each for correctly labelling the stages: launch, growth, maturity, decline.

Award 1 mark for the correctly drawn and labelled extension strategy line.

- 5 List **five** possible extension strategies. (5)

- develop new markets, e.g. export
- new packaging
- new, improved version of product
- special offers
- advertising
- product relaunches
- competitions
- changed or supplementary distribution

- 6 Explain the main problem that a product with a very short life cycle may have. (2)

Careful pricing would have to be used to ensure that development costs are covered and profit is made before maturity is reached and/or before competitors join the market.

- 7 **a** Draw the Boston Consulting Group (BCG) Matrix.

(4)

Award 2 marks for labelling the axes: market growth and market share.
Award a further 2 marks for correctly placing both high and low labels.

- b** Label the four different quarters of the matrix with the correct BCG names.

(4)

Award 1 mark per correct quarter: cash cow, star, problem child, dog.

- c** Add the following labels:

\$ in the quarter with the highest positive cash flow (1)

- cash cow

-\$ in the quarter with the biggest negative cash flow (1)

- problem child

P in the two quarters with heavy promotional costs (2)

- problem child, star

- d** Label each quarter with the name of the product life cycle stage it best reflects. (4)

Launch → problem child Maturity → cash cow

Growth → star Decline → dog

- 8 **(HL)** List four advantages of branding.

(4)

- logo: customers can identify product easily
- risk reducer: aids brand loyalty
- image enhancer: facilitates premium pricing
- sales generator: can reduce price elasticity of demand
- some products stay indefinitely at maturity, e.g. Coca-Cola
- puts high barriers to entry for competitors

- 9 **(HL)** Identify the main feature of each of the following types of branding:

(4)

- family → several related products under one brand name
- product → each product has own brand
- company → company name is the brand name
- own label → retailers put own brand on products

10 **(HL)** Give **two** advantages and **one** disadvantage of own-label branding.

(3)

Advantages:

- often cheaper than brand name products
- each brand can appeal to different consumer segments
- little is spent on advertising

Disadvantage:

- lower-quality image